

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 22, 2023

Volume 16 Issue 224

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Unfilled gaps down from 50-day highs have historically struggled the following day, but that has not been the case as much in recent years.
- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- Wednesday before Thanksgiving has historically been a strong day for the market

Short-term Outlook

The Bottom Line

The Aggregator formation is neutral. I am as well.

Summary of Current Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
November 22, 2023	5 up to 50-high then down 1	1-4 days	Bullish	1.10%	-1.10%	-1.60%
November 22, 2023	Thanksgiving Wednesday	1 day	Bullish			
November 22, 2023	Unfilled gap down from 50-high	1 day	Bearish			
November 17, 2023	SPX up. Up Vol < 40%. SPX > 200ma	1-7 days	Bullish			
November 17, 2023	Up Vol Up Iss both < 40%. SPX up.	1-4 days	Bearish			
Active - Long Term						
November 22, 2023	5 up to 50-high then down 1	1-10 days	Bullish	1.80%	-1.10%	-2.30%
November 21, 2023	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.35%	-8.80%
November 17, 2023	SPX up & > 200. Up Vol % < 40%.	1-10 days	Bullish	2.10%	-1.60%	-3.40%
November 9, 2023	RSI(2) crosses over 99	1-15 days	Bullish			
November 8, 2023	SPX up 7 in a row and close > 200ma	1-20 days	Bullish	3.10%	-1.90%	-4.05%
November 7, 2023	Whaley ADT ₅ > 73.66	1-12 months	Bullish	25.20%	-8.10%	
November 6, 2023	5 higher closes. Up 3%. < 50-high.	1-15 days	Bullish	3.30%	-1.70%	-3.05%
November 6, 2023	Zweig Thrust	1-12 months	Bullish	29.00%	-3.20%	-7.00%
November 6, 2023	Best 6 Months	6 months	Bullish			
November 6, 2023	NASDAQ Leading	int term	Bullish			
October 2, 2023	SPX down 4 weeks but above 40-week ma	1-10 weeks	Bullish			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

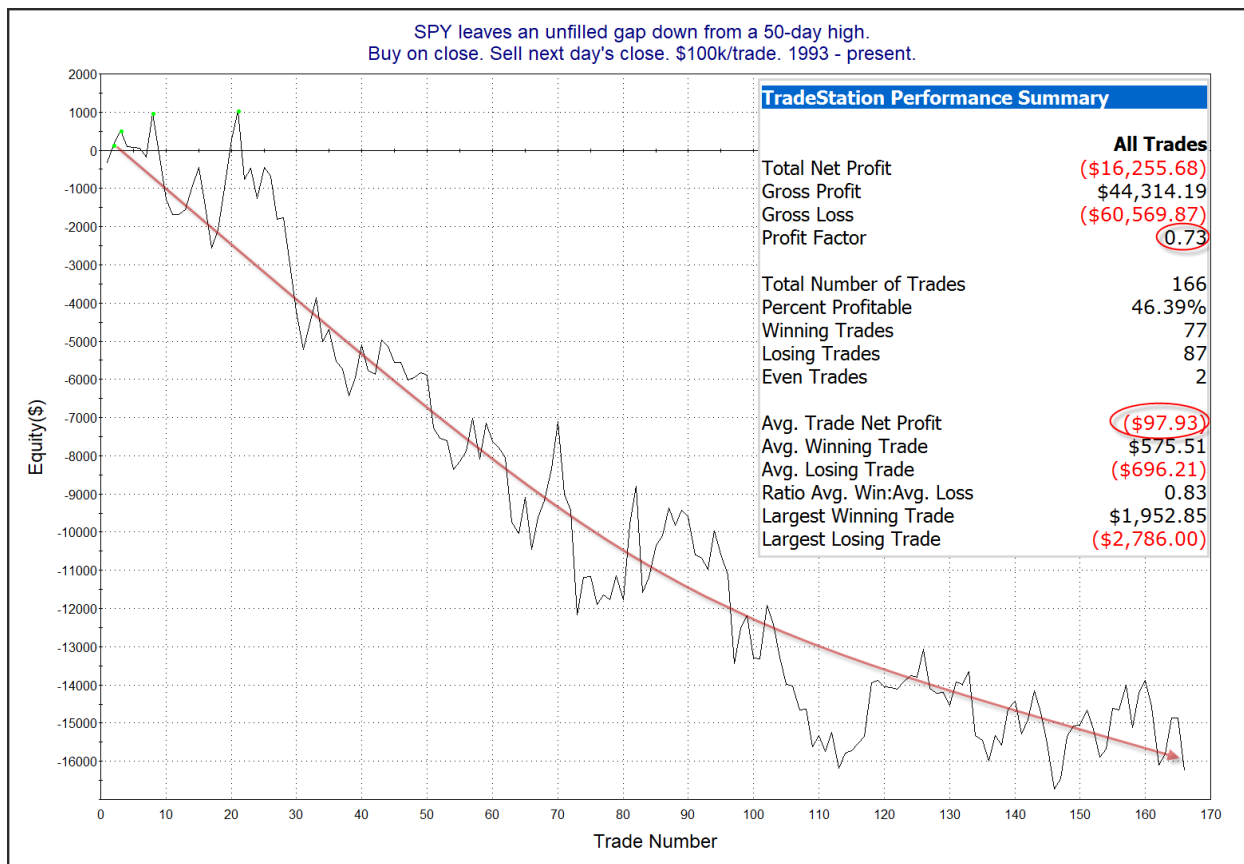
The Evidence

The market dipped a bit on Tuesday. The SPX declined 0.2%, the NASDAQ fell 0.6%, and the Russell 2000 dropped 1.3%. Breadth was negative with the NYSE Up Issues % coming in at 32.4% and the Up Volume % at 32.1%. NYSE total volume came in light. The next couple days should be light as well.

The 1st day down from a high does not often suggest a strong edge. But when the 1st day down is accompanied by an unfilled gap, then that has increased the odds of additional selling. The unfilled gap will sometimes leave buyers from the day before with losing positions where they had no opportunity to exit. And they may not be let off the hook too quickly. The studies below demonstrate this. They were last seen in the 8/2/23 letter. The 1st one shows performance following down closes from a 50-day high that do not include an unfilled gap lower.



There is no compelling edge suggested by either the numbers or the profit curve here. Now let's look at instances that see an unfilled gap down follow a 50-day high. (Updated)



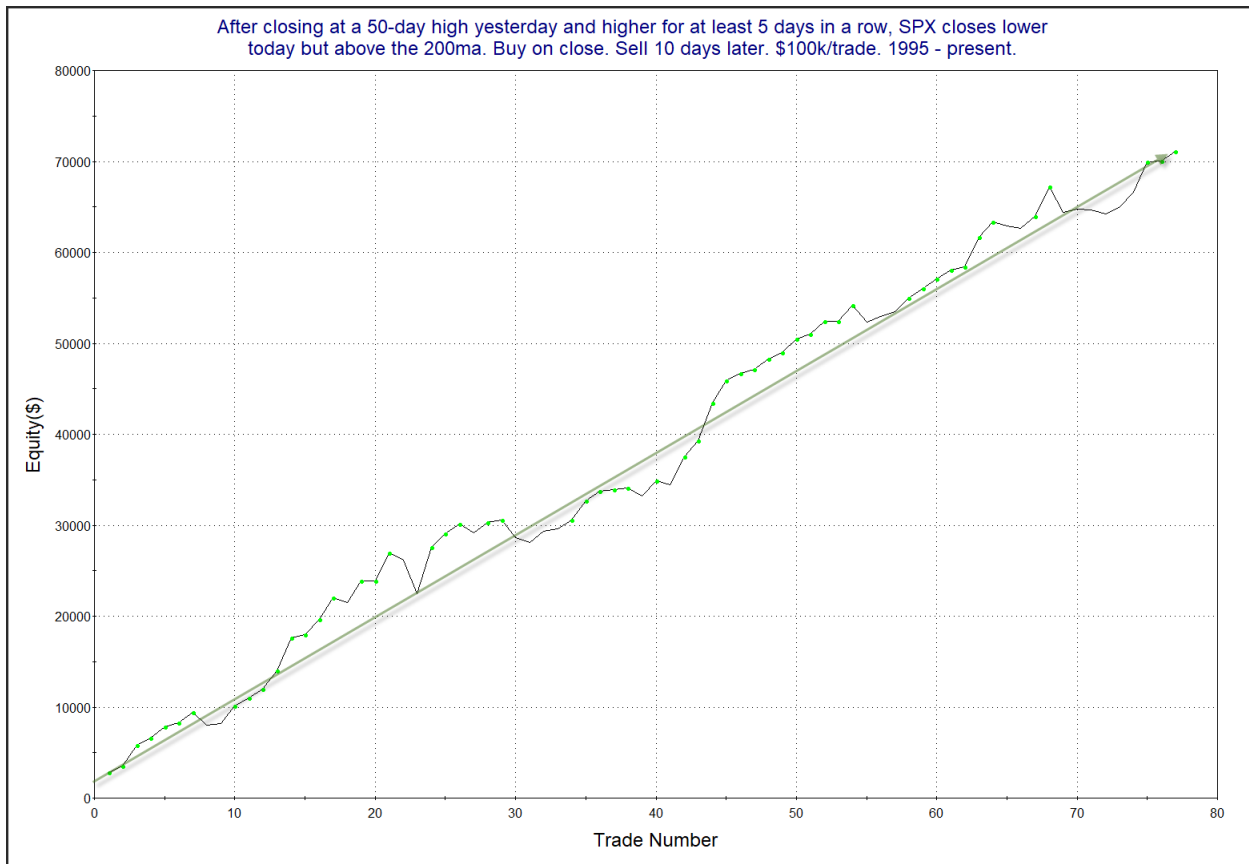
While the curve has flattened some in recent years, it is back near new lows. The move lower has persisted for a long time. This is impressive considering the market must be in an uptrend since it was at a 50-day high the day before. Overall, this study seems to suggest a mild downside edge, and at the very least, bulls would have preferred that Tuesday did *not* include an unfilled gap lower.

Another compelling study that triggered Tuesday suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 6/20/23 Letter. I have updated the stats in the table below.

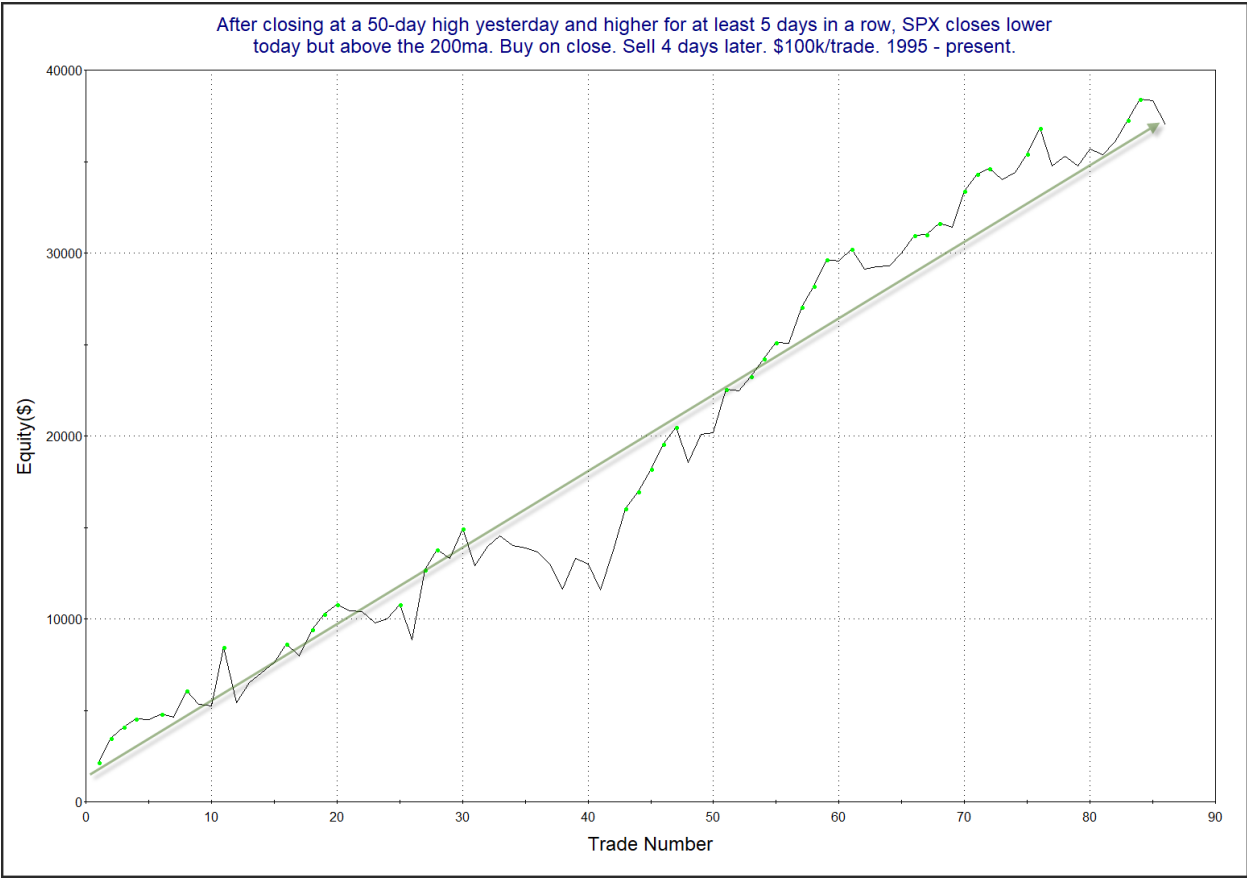
After closing at a 50-day high yesterday and higher for at least 5 days in a row, SPX closes lower today but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	71,093.08	77	62	15	80.52	5,131.35	-3,672.90	1,420.35	-1,131.26	1.26	5.19	923.29
9	66,769.56	80	63	17	78.75	5,023.20	-4,151.40	1,415.18	-1,316.87	1.07	3.98	834.62
8	55,676.73	81	56	25	69.14	4,878.08	-4,874.10	1,515.58	-1,167.82	1.30	2.91	687.37
7	43,589.87	84	58	26	69.05	3,874.76	-4,511.36	1,307.90	-1,241.09	1.05	2.35	518.93
6	45,000.64	86	62	24	72.09	4,307.20	-3,637.71	1,189.00	-1,196.55	0.99	2.57	523.26
5	34,318.09	86	58	28	67.44	4,252.50	-4,717.16	1,063.06	-976.41	1.09	2.26	399.05
4	36,994.79	86	55	31	63.95	3,843.00	-3,003.39	1,093.91	-747.43	1.46	2.60	430.17
3	21,721.46	86	53	33	61.63	2,472.85	-1,992.34	843.29	-696.14	1.21	1.95	252.58
2	21,168.33	86	56	30	65.12	2,437.50	-2,614.95	762.94	-718.55	1.06	1.98	246.14
1	12,431.14	86	54	31	62.79	1,751.19	-1,744.10	514.95	-496.00	1.04	1.81	144.55

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.

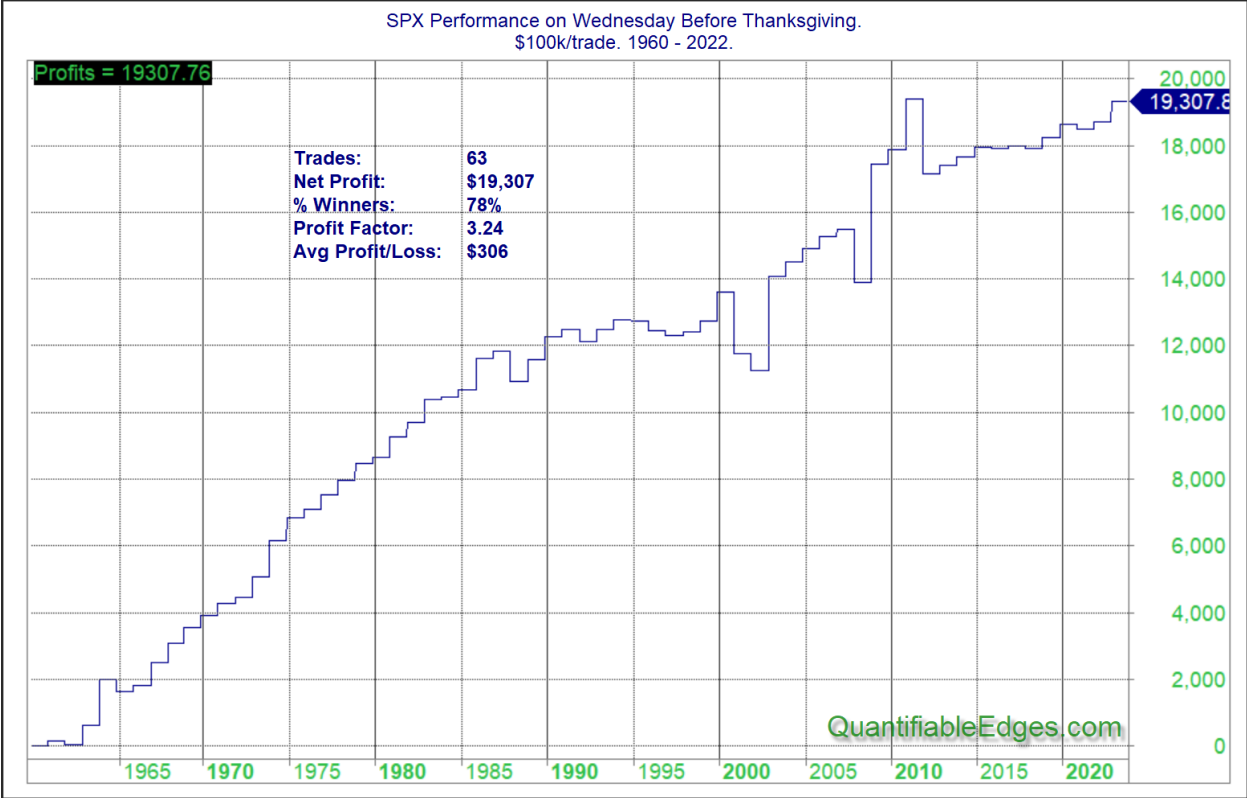


The strong upslope appears to confirm the bullish edge. Next let's look at the 4-day curve.



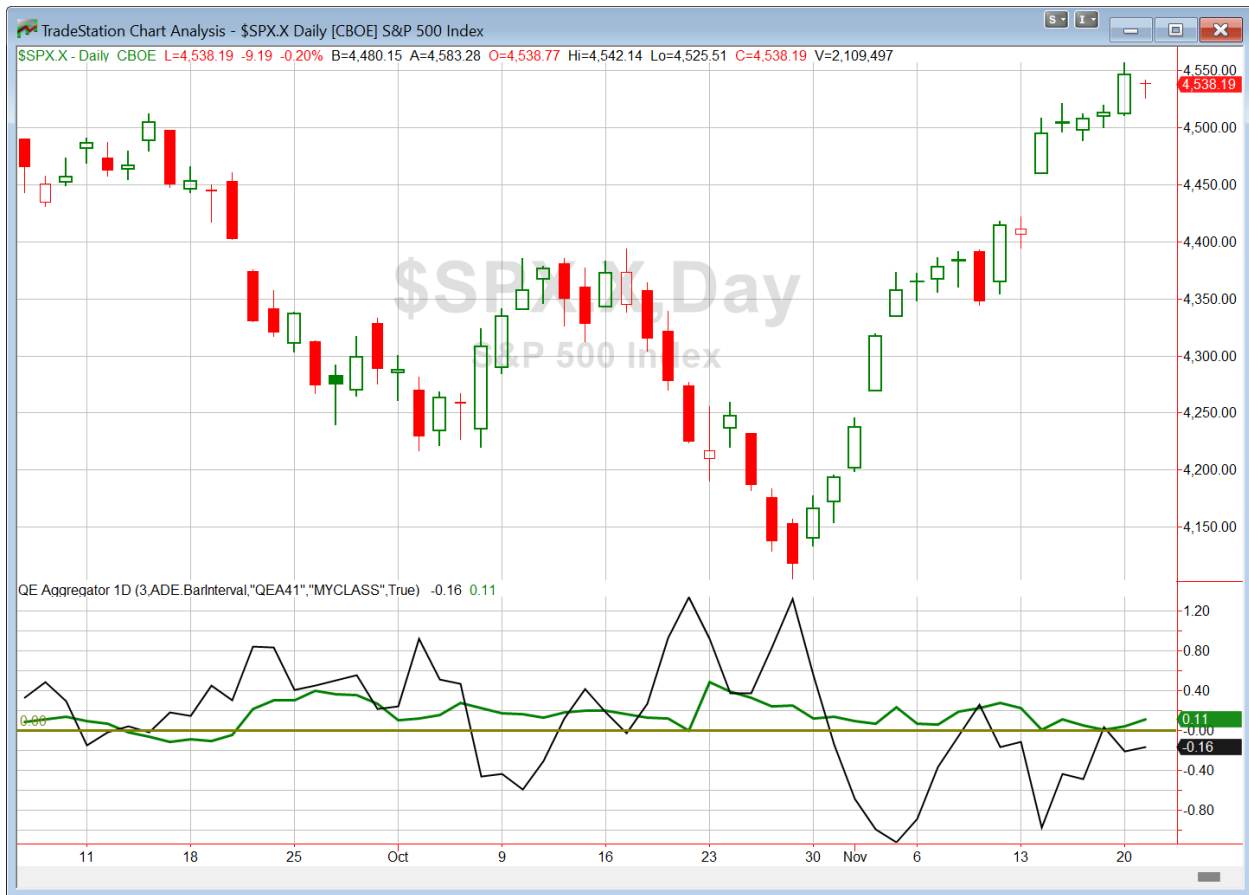
Results are a little choppier. But even with more whipsaws this curve has worked its way from lower left to upper right and is back near new highs. The study appears worthy of consideration. I have included it on both the short-term and intermediate-term active lists.

Of course as I noted over the weekend, the Wednesday before Thanksgiving has seen very strong returns over the years. Below is a chart from Sunday. I have included stats on the chart today.



Seasonality could be a help on Wednesday. I have taken this into account on the active list.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line held above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. This could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4521.81 on Wednesday. That is 0.4% below Tuesday's close. Therefore, SPX will need to close down about 0.4% in order to flip from overbought to oversold vs recent expectations.

So the Aggregator is again flat. I am going to want to see more of a pullback for a long entry opportunity. This market has been stubborn, and with positive seasonality the next couple of days, it may be next week before we see a pullback. When it comes, or if evidence turns bearish, I'll be ready. Until then, I'll be patient.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 11/20– **bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

None

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